

Agenda Report

July 15, 2002

TO: City Council

THROUGH: Legislative Policy Committee (July 2, 2002)

FROM: Cynthia J. Kurtz, City Manager

SUBJECT: Opposition to Senate Constitutional Amendment 16 (McClintock) –
Appropriations Limit

RECOMMENDATION

It is recommended that the City Council:

1. Oppose Senate Constitutional Amendment 16 (McClintock) – Appropriations Limit
2. Authorize the Mayor to send letters to the appropriate authorities stating Pasadena's position.

BILL SUMMARY

This measure would cap the City's spending limit to that of the previous fiscal year adjusted for the change in cost of living and population growth from the prior year. Under the proposed legislation amounts exceeding this amount would be held in a rebate account. Within 30 days of the close of the end of the fiscal year, taxpayers would be rebated on a pro rata basis for any taxes paid on or measured by income for taxable years beginning during the prior calendar year. Adjustment to the appropriations limit could be made for any fiscal year in the event the Governor declares a state of emergency in conjunction with a mandatory four-fifths voter approval. The monies would be placed into an emergency account for related expenditures and would not constitute appropriation subject to limitation.

BACKGROUND

In 1979, California voters established an appropriations limit for the state and every local government jurisdiction. The state appropriations limit is often referred to as the Gann limit, after Paul Gann, the author of the measure that placed a spending limit in the state constitution. No government agency can exceed its Gann limit, which is adjusted

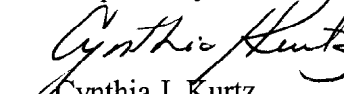
annually for changes in population and the lesser of either the national Consumer Price Index (CPI) or California's per capita personal income. If state revenues exceed the state appropriations limit in two consecutive years then the surplus amount must be equally allocated to education and tax reductions within the two subsequent fiscal years. Certain types of expenditures are not included in the state appropriations limit such as debt service, appropriations required to comply with court or federal mandates, qualified capital outlay projects, proceeds of tobacco taxes and the increase in gasoline tax.

The recession has impacted the City of Pasadena's economy in numerous ways. Not only are local revenues down currently but also for the foreseeable future. Additionally the state of California's budget deficit has compounded the problem and threatens to further deplete local dollars. Any legislation that would restrict or in this case limit city appropriations jeopardizes the city's ability to maintain service levels.

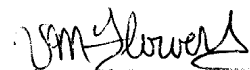
FISCAL IMPACT

The fiscal impact to the City of Pasadena is unknown; however, would severely curtail the City Council's ability to increase the City's operating budget.


Respectfully submitted,


Cynthia J. Kurtz
City Manager

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